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**WORLD BANK, OVER US OBJECTIONS, PLANS MORE LOANS TO IRAN**  
(By Joseph Rebellio)

WASHINGTON (DOW JONES).—The World Bank, undeterred by President George W. Bush's condemnation of Iran as part of an "axis of evil, arming to threaten the peace of the world," is pressing ahead with a plan that would provide as much as \$755 million in loans to the country over the next two years.

Since the bank began preparing the plan, Iran has mostly disappointed Western expectations that political reformers would succeed in making it more democratic and liberal. Reformers were silenced, and public executions and public floggings increased last year, according to Human Rights Watch. Iran remained the world's "most active" state sponsor of terrorism, according to the U.S. government.

But inside the bank support for more loans to Iran has only grown, officials say. In January, just as Bush identified Iran as a key threat to U.S. security in his State of the Union address, a team of bank directors returned from a visit to Tehran. Its recommendation: "deeper and faster involvement of the bank" in Iran, said Jean-Louis Sarbib, the bank's vice president for the Middle East and North Africa.

**STAFF EXPECTS TO SEEK APPROVAL FOR NEW LOAN BY DEC.**

"We have been quite impressed with the way they have gone about some of their macroeconomic reforms," said Sarbib, citing the country's success in building its foreign reserves, in reducing poverty and in ensuring basis education for all Iranian girls. "What we see on the economic side are people who are really trying to build economic democracy, who are trying to build a market system."

The bank's staff intends to seek approval for a new loan—worth about \$150 million—by the end of the year. That loan is an element of a tentative plan, endorsed last year by the bank's board of directors, that advocates the approval of \$755 million in loans to Iran in fiscal 2002 and 2003. Iran could eventually be eligible for more than \$500 million a year, if it continues to satisfy the bank's requirements, officials said.

For the U.S. government, the bank's biggest shareholder, the courtship of Iran has been a lingering source of embarrassment. The U.S. contributes 29% of the bank's capital. It control 16% of the votes cast by the bank's directors—usually a decisive share. It is forbidden by Congress from supporting loans to Iran. But it has been powerless to stop them in recent years.

**U.S. HASN'T BEEN ABLE TO STOP LOANS TO IRAN RECENTLY**

Two years ago, the bank's directors ended a seven-year lull in lending to Iran and approved two loans worth \$232 million. The U.S. objected strenuously. Madeline Albright, the secretary of state, lobbied leaders of other governments, asking them to oppose the loans because of Iran's human-rights record. She made little headway: the U.S. cast the sole no vote. Canada and France abstained.

James Wolfensohn, the bank's president, told U.S. officials at the time that the loans addressed "basic human needs" and were designed to support the reform efforts of Mohammad Khatami, a moderate cleric who had been elected Iranian president in a landslide in 1997. But any future loans, he told the bank's U.S. representative, would be considered only after a "review of all aspects of the economic and governance programs of his government."

Iran's performance since then has been mixed. Khatami was reelected to a second four-year term last June. His government briefly warmed toward the U.S. after the terrorist attacks of Sept. 11—it offered, at one point, to rescue U.S. pilots downed in the war in Afghanistan. But Khatami's influence soon faded amid a crackdown by the country's conservative clerics, who control Iran's judiciary and security forces.

"Even after his sweeping election victory in June, when he increased his share of the popular vote, (Khatami) continued to shy away from open confrontation with his opponents and made no discernible progress in implementing his promised reforms," Human Rights Watch said in a report in January that warned of "mounting" social and economic problems. "Increasingly . . . he appeared to represent more of a safety valve than an agent of tangible change," it said.

The World Bank, however, measures Iran's performance differently. It considers itself apolitical: The bank's mandate, officials say, is simply to reduce poverty and promote sustainable economic development among poorer countries. In deciding to make loans, accordingly, it avoids making official judgments about the borrower's stance on human rights, terrorism or nuclear weapons. Instead it keeps a close eye on economic and social indicators and the speed with which governments improve those statistics.

By those measures, Iran has performed splendidly. The poverty rate has fallen to 15.5% from 47% in 1978. The infant mortality rate dropped to 26 for every 1,000 births from 47 in 1990. Iran has also built up \$17 billion in foreign reserves, partly because of the recent rebound in oil prices and partly because it has paid off much of its debt. It has lowered tariffs, removed most non-tariff trade barriers and unified its system of multiple exchange rates—all well ahead of schedule.

"We are seeing concrete results—in terms of economic and social reforms," Sarbib said. Last year, the bank's staff completed the review that Wolfensohn and the bank directors had called for, and advanced a short-term plan calling for the launch of a half-dozen development projects in 2002 and 2003. With the exception of the bank's U.S. representative, all of the bank's 24 directors supported the proposal. The bank's staff plans to present a long-term lending plan to the directors next year.

"The general sense among executive directors is that they are supportive of the bank's engagement with Iran, with the exception of the U.S.," said one director who asked not to be named. "It's difficult to see how the U.S. position could influence other countries. My sense is there is not widespread support for the U.S. position."

**U.S. LAWMAKER CRITICIZES BANK; SAYS U.S. LACKADAISICAL**

At least one U.S. lawmaker is incensed, saying the loans will merely bolster Iran's repressive leadership. "Money is fungible," said Rep. Brad Sherman, D-Calif. "The money that the World Bank is providing to Iran's government is not particularly benefiting its people. That government will engage in the minimum domestic expenditures necessary to maintain power. Whatever is left over they'll spend on terrorism and nuclear weapons."

Sherman said he has been trying to get the Bush administration to take a harder line with World Bank, with little success. "Nobody's blood pressure is up on this," he said. "The problem is the U.S. bureaucracy. They say, 'Oh, gee, we'll vote no. If we get outvoted, que sera sera.' It's as if they hadn't listened to the State of the Union address. It's as if they were unaware of what happened on Sept. 11."

A Treasury Department spokeswoman, Michele Davis, said the U.S. government has regularly expressed its displeasure with the World Bank's plans for Iran. "The U.S. opposes World Bank lending to Iran and has consistently communicated this position to Bank management, including in May of 2002, when the World Bank approved two loans to Iran despite U.S. opposition," she said.

World Bank officials, meanwhile, said they can see no reason why Iran should be deprived of loans. Sarbib rejects the argument that World Bank loans for humanitarian and development purposes allow Iran to spend its own resources to develop nuclear weapons and promote terrorism. "Look, they have \$17 billion of reserves," he says. "If they want to do all these things, they can do it. They don't need World bank funds to do that kind of stuff."

Besides, he said, "Iran is a member in good standing of the World Bank. They are current on all their obligations. As a member in good standing of the cooperative, they are entitled to the services of the cooperative."

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from American Samoa (Mr. FALEOMAVAEGA) is recognized for 5 minutes.

(Mr. FALEOMAVAEGA addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

**BLUE DOG COALITION TAKES STRONG POSITION REGARDING DEBT CEILING**

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentleman from Texas (Mr. TURNER) is recognized for 60 minutes as the designee of the minority leader.

Mr. TURNER. Mr. Speaker, it is good to be here tonight to address a very important issue, the issue of fiscal responsibility, and I am joined tonight by some of my colleagues who are members of the Blue Dog Democrat coalition. That group of 33 Democrats in the House who believe in fiscal responsibility, who believe in balanced budgets, who believe in controlling spending, who believe in paying down our national debt, which now consumes, just to pay the interest, 14 cents out of every tax dollar. In fact, \$1 out of every \$4 of individual income tax payments made into the Treasury every year goes solely to pay the interest on our national debt.

The Blue Dogs have taken a very strong position with regard to an issue that is pending before this House and may very well be debated this week, and that is the issue of the debt ceiling. As we all know, there is a law on the books that controls the amount of debt that the United States Government can incur. That statutory debt ceiling has now been reached and, just in the last few days, the Secretary of the Treasury has been manipulating our Federal accounts to ensure that we do not go into default with regard to the obligations of the Federal Government. In fact, the Secretary of the Treasury has used the Federal Employees Retirement Fund as a means of